



NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

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TREASURER ANGELIDES BRIEFS MEDIA ON PLANS TO ISSUE APPROXIMATELY \$18 BILLION IN BONDS AND NOTES

Record Borrowings Required by Adopted 2003-04 Budget

SACRAMENTO, CA – State Treasurer Phil Angelides today briefed reporters regarding plans to issue approximately \$18 billion in bonds and notes required by the recently adopted 2003-04 state budget. The Treasurer said it will be “a formidable task for my office to undertake a number of sizable, complex financial transactions in a very tough environment.”

But as the Treasurer embarks on these sales, he said, “We are going to make the case for California. Despite the current political turmoil, California remains a strong investment, with a diverse economy that is poised on the leading edge of this nation’s technological innovation and financial progress.” The briefing took place earlier today at the State Treasurer’s Office.

Between September 2003 and May 2004, the Treasurer’s Office will work to structure and market the Revenue Anticipation Notes (\$3 billion), Tobacco Securitization Bonds (\$2.3 billion), Pension Obligation Bonds (\$2 billion), and “Deficit Reduction Bonds” (\$11 billion), included in the adopted budget. Maturity dates on these bonds and notes range from several months to 40 years.

“The very fact that the State must go to the market to borrow \$18 billion to balance the budget,” Angelides said, “should serve as a clarion call that that the time has come to put into place a structurally balanced budget, even if it requires more cuts and new, fair revenues. I have not hesitated in making my views known, speaking out since last January regarding the tough choices that we need to make if we are to put this fiscal crisis behind us and turn our attention to investing in the future – educating our children, rebuilding our infrastructure, and strengthening our economy.”

For months, the Treasurer pointed out, “I have strongly advocated for – and would have preferred – a budget that truly balanced revenues and expenditures, rather than one that postpones the day of reckoning.” However, he added, “My office will do its best to complete these transactions in the most cost-efficient manner possible.”

**Approximately \$18 Billion in Bonds and Notes
Required by the 2003-04 Budget Adopted by the Legislature**

Description	Revenue Anticipation Notes (RANs)	Tobacco Securitization Bonds	Pension Obligation Bonds	Fiscal Recovery Bonds (Deficit Bonds)
Approx. Amount	\$3 billion	\$2.3 billion	\$2 billion	\$11 billion
Estimated Timing*	October 2003	September- October 2003	September- December 2003	February 2004 and April/May 2004
Use of Bond Proceeds	Cash Flow	General Fund	Pay unpaid balance of State's obligation to CalPERS for FY 2003-04	General Fund
Final Maturity	June 2004	40 yrs	5 yrs	Expected 5-7 yrs
Repayment Source	General Fund	Revenue from Master Settlement Agreement and Possible General Fund	General Fund	Appropriations of Half-Cent State Sales Tax

***Timing of all transactions subject to a number of factors including, but not limited to, potential legal challenges, receipt of credit ratings, and market conditions.**

Overview of \$18 Billion of Bonds and Notes Required by the 2003-04 Budget Adopted by the Legislature

Revenue Anticipation Notes (RANs)

Revenue Anticipation Notes are regularly issued by the State to assist in meeting cash flow needs arising from timing differences between when revenues flow into the Treasury and when expenses need to be paid. RANs are repaid within the same fiscal year in which they are borrowed. The State has issued RANs for 10 of the last 11 years.

Tobacco Securitization Bonds

Tobacco Securitization Bonds are backed by future proceeds of the 1998 Master Settlement Agreement of the tobacco lawsuit brought by the Attorney Generals of 46 states. Under the terms of the 2003-04 budget legislation package, the State may provide annual appropriations from the state general fund as a “back stop” to enhance the security for repayment of the bonds.

Pension Obligation Bonds

The Pension Obligation Bonds were authorized earlier this year to provide funds to the State to make the 2003-04 contributions to CalPERS.

Fiscal Recovery Bonds (“Deficit Reduction Bonds”)

Fiscal Recovery Bonds are being issued to fill the budget gap that had accumulated by the end of the 2002-03 Fiscal Year. They will be repaid solely from future annual appropriations of a temporary one-half cent state sales tax.